

H-3108-1 - RELINQUISHMENTS, TERMINATIONS, AND CANCELLATIONS

Format for Decision Recognizing Bona Fide Purchaser and
Cancelling Overriding Royalty Interest



United States Department of the Interior
BUREAU OF LAND MANAGEMENT

3108 (Office Code)
Serial No.

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

DECISION

XYZ Corp.
P.O. Box 100
Anywhere, MT 59000

Oil and Gas

The Oil and Gas Co.
P.O. Box 2000
Billings, MT 59103

Bona Fide Purchaser Status Recognized
Overriding Royalty Interest Cancelled

XYZ Corp. was the priority applicant for Parcel (number) in the (Date) simultaneous oil and gas drawing. On (Date), oil and gas lease (Serial number) was issued to XYZ Corp. for this parcel, effective (Date). On (Date), XYZ Corp. executed an assignment of 100 percent record title interest in the lease to The Oil and Gas Co., with a 4 percent overriding royalty interest retained by XYZ Corp.

We have determined that violations of the regulations have occurred, as summarized below, establishing that the lease was obtained contrary to the regulations. A Report of Investigation, dated (Date), and retained under serial reference number (Number), more fully documents the details of these violations, and that report is hereby incorporated into and made a part of this decision.

As discussed in Sections III and IV of the report, XYZ Corp. and other groups filed on the same parcels. We have determined that this constitutes a multiple filing, in violation of regulations at 43 CFR 3112.2-1(f) (1982).

As discussed in Sections V and VI of the report, the address used by the XYZ Corp. group is effectively a mail drop for the ABC Corp. As such, its use constitutes a violation of the regulations at 43 CFR 3112.2-1(d) (1982), that prohibit an applicant from using the address of a filing service.

As discussed in Sections VII and VIII of the report, ABC Corp. failed to respond to a request for information from this office, in violation of regulations at 43 CFR 3102.5 (1982).

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As discussed in Section XI of the report, the offer to lease was signed by a person not listed on the statement of parties-in-interest. This is a violation of the regulations at 43 CFR 3112.6-1(a) (effective August 22, 1983), that requires that offers to lease be signed by the prospective lessee or attorney-in-fact.

Although we have determined that the lease was obtained in violation of the regulations, we have also determined that The Oil and Gas Co. is a bona fide purchaser of this lease. Title 43 CFR 3112.6-3 in effect at the time of the (Date) filing stated in part, "action shall be taken to cancel the interest or lease unless the rights of bona fide purchaser, as provided for in 43 CFR 3108.3(c) of this title, intervene."

It has been established that a party purchasing an oil and gas lease from the first-drawn winner of a drawing of simultaneous offers to lease is a bona fide purchaser where prior to and during the time it agreed to purchase the lease, the BLM's files were silent as to any irregularities in the lease or offer, and the purchaser had no knowledge of any defect in the lease or offer. The lease file was noted on (Date), with possible cancellation of the lease.

In view of the above violations, and in accordance with the regulations at 43 CFR 3112.6-3 and 3108.3(c), the 4 percent overriding royalty interest retained by XYZ Corp. is hereby cancelled. The assignment to The Oil and Gas Co. has been approved subject to the cancellation of this overriding royalty interest, and an approved copy of the assignment is enclosed for your records.

This decision is final in the absence of an appeal.

Standard appeal paragraph (see Handbook 3100-1, Chapter 1).

Authorized Officer

2 Enclosures

- 1 - Form 1842-1
- 2 - Approved Assignment

Distribution: